ILLINOIS BUSINESS REVIEW

A MONTHLY SUMMARY OF BUSINESS CONDITIONS FOR ILLINOIS

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HIGHLIGHTS OF BUSINESS IN MARCH

Developments within the economy during March raised the questions: Has the decline come to a halt? Is an upturn beginning? Steel and automobile production increased as did some other components of industrial output. As a consequence, industrial production rose for the first time since last July, although not enough to change the seasonally adjusted index from February's 102 (1957 = 100). Preliminary estimates indicate that retail sales rose 1 percent to $18.1 billion, with a gain of close to 10 percent in new automobile deliveries.

Employment Picture Mixed

Unemployment fell from February by a less-than-seasonal 210,000 to 5.5 million in March. The effect of this was to raise the seasonally adjusted rate of unemployment from 6.8 percent to 6.9 percent despite a greater-than-seasonal increase in employment of 861,000 that carried the total to a March record of 65.5 million.

Long-term unemployment — people out of work 15 weeks or longer — rose 238,000 to 1.9 million in the month ending March 15. Nearly 800,000 of these have been out of work 27 weeks or longer. However, the number of persons on short workweeks dropped 235,000 to 1.5 million.

Construction Steady

The estimated $3.9 billion spent on new construction in March was 8 percent above February, about the normal seasonal change between the two months. The March total was approximately the same as the year-earlier month.

Total new private construction expenditures in March amounted to $2.8 billion, up 7 percent from February compared with a normal seasonal increase of 6 percent. Private nonfarm homebuilding was up slightly to $1.4 billion, but was still 11 percent below March, 1960. New public construction fell slightly to $1.1 billion, but was 13 percent above March a year ago.

In the first three months of 1961 total new construction amounted to $11.3 billion, virtually the same as was spent in the first quarter of 1960. Private construction, particularly of residential buildings, was down, but increases in public expenditures offset this.

Sales Rise, Inventories Fall

After adjustment for seasonal influences, total sales of manufacturers, wholesalers, and retailers in February increased for the first time in ten months, rising $400 million to $59.1 billion. Three-quarters of this gain was made by manufacturers and the rest by retailers, in both cases in nondurables. Manufacturers accounted for sales of $29.0 billion, wholesalers $12.2 billion, and retailers $17.9 billion. The total for the month was almost $4 billion under February a year ago.

Inventories declined $400 million from January to $91.6 billion in February. Retailers accounted for three-fourths of this change, cutting their stocks to $24.8 billion. The value of manufacturers' inventories was reduced $100 million to $53.6 billion. In both cases most of the change was in durables.

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Further Cut in Instalment Debt

February was the second month in a row in which consumers reduced their instalment debt. After allowance for seasonal influences, the cut amounted to $208 million, leaving a total of $42.3 billion outstanding. Decreases in automobile paper, other consumer goods paper, and repair and modernization loans were only partly offset by an increase in personal loans.

Adjustment for seasonal influences converted a large decrease in noninstalment debt into an increase of $27 million. A reduction in charge accounts was offset by expansion in single-payment loans and service credit. The total of short- and intermediate-term debt fell $181 million to $54.1 billion.

Kennedy Budget Revisions

The Kennedy Administration expects federal expenditures to exceed revenues by $2.2 billion in the fiscal year ending this June, in contrast to the small surplus predicted by the previous administration. The shift to an anticipated deficit reflects a decrease of $500 million in expected revenues to $78.5 billion and an increase in expenditures of $1.7 billion to $80.7 billion. Increased defense outlays and extension of unemployment benefits account for the expected rise in expenditures.

For fiscal 1962, ending in June, 1962, the new Administration has raised the spending estimates by $3.3 billion to $84.2 billion. About one-fifth of the increase is attributable to planned expansion of defense expenditures and most of the rest to increased aid to agriculture, education, unemployed workers, and economically depressed areas. Estimates of receipts in fiscal 1962 have been reduced almost $1 billion to $81.4 billion. Thus a deficit of $2.8 billion is projected in place of the $1.5 billion surplus anticipated by the preceding administration.

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Accelerated Depreciation

The mythology of all-powerful fiscal policy holds that the government can remedy any economic difficulty by a little tinkering with tax rates or expenditures. Nowhere is this more evident than in appeals for accelerated depreciation.

Complaints about the inflexibility of depreciation policy had been voiced over a long period of years, and the Eisenhower Administration responded to these complaints with changes in the Internal Revenue Code of 1954. This code provides a choice of methods for writing off the original cost: the declining balance method, the sum of years-digits method, or any alternative that does not exceed the declining-balance allowances over the first two-thirds of the useful life of the asset.

Although the new code permits substantial flexibility, it has seemingly done little more than whet the appetites of those who want something that will have more than a "token effect." Claimants as usual direct their arguments to the point of greatest current appeal, namely, the need for stimulating growth and reversing the trend toward higher unemployment. Labor unions, finding many of their members "technologically unemployed," dispute the ability of increased investment to accomplish this. Other effects are also in dispute, but it seems clear that faster depreciation has meant a substantial loss in tax revenues to the federal government.

Ways to Lower Taxable Income

Two kinds of proposals for increasing depreciation allowances are widely advocated: still faster write-offs, and permitting depreciation on a replacement-cost basis. The first of these would extend the policy of 1954. The code now allows 40 percent the first year on a five-year asset, and it is proposed that the longer-lived assets should be put on something like the same basis. To the company with adequate operating profit, this would make for quick recovery of invested capital.

In dealing with this kind of policy, it is often naively assumed that total taxes will be the same, merely being shifted from one period to another. This ignores the fact that most businesses are going concerns which invest, not just once, but in new units year by year. For going concerns, any acceleration formula results in lower taxes and higher retentions, and if investments continue to grow over long periods, the tax reductions build up faster and stay permanently higher than under the straight-line method. (For details, see E. Cary Brown's excellent article entitled "The New Depreciation Policy Under the Income Tax: An Economic Analysis," *National Tax Journal,* March, 1955.) Estimates indicate that the new code has been a boon to business but involves an annual tax loss that may exceed the budget deficits now anticipated for this fiscal year and next.

The same kind of result would be produced by a shift to replacement cost. The object here is to protect this one portion of business income against the "erosion of inflation." It is a moot question in economic and accounting literature and cannot be considered in detail here. The proposal would in effect permit higher charges against depreciable assets by revaluing them in line with the price increases that have occurred since they were first acquired. It is never suggested, however, that the revaluation be considered income and taxed as such, which would in effect offset the depreciation allowance.

Regardless of any concession made on depreciation charges, a good case can be made for correcting the inequity that arises from taxing excess salvage value as capital gain. This has led to constant pressure on the Internal Revenue Service to permit underestimates of service life and salvage value (since salvage value for depreciation purposes is a matter of estimation at the time of acquisition). Taxing excess salvage value as ordinary income would eliminate these abuses.

Tax Concessions for Recovery

Another kind of tax reduction is proposed, not so much to meet a business need as to promote economic recovery. It calls for giving business a tax credit against new investment in excess of depreciation charges. The resulting expansion is supposed "to lift the whole economy," but this view exaggerates greatly. A moderate tax credit on a portion of an investment is no more than a minor reduction in cost, and when judged by some of the usual criteria for arriving at investment decisions — for example, a short pay-back period — it would make little difference in the result. Nevertheless, this is a way of leaving funds in the hands of business concerns with at least some incentive to invest them.

Since the justification for this is stabilization, any such incentive ought to be offered only when it is really needed. A permanent arrangement of this kind would dissipate its puny force in good times, leaving it with nothing to offer in bad. If the authorization were temporary, there would be pressure to make it permanent, and such pressure would be hard to resist in any period of semi-stagnation like the present.

In urging the adoption of such policies, it is common to cite foreign experience. The Swedish experience in the recession of 1958 seems to indicate some contribution from its "tax-free investment reserves" plan, which authorized special write-offs and tax credit on new plants from May, 1958, to September, 1959. Its success can hardly be considered an adequate test, since the mildness of the recession did not interrupt the growth of many participating companies.

Other foreign experience is less pertinent. For example, a crude correlation between high growth rates and rapid write-offs is currently being circulated to convey the implication that our inadequate growth may be blamed on this one factor. However, conditions are not similar enough here and abroad to justify such a correlation. Most important among the differences is that we already

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STEEL: A BASIC INDUSTRY

The process of converting iron into steel has been known at least several thousand years. Despite its superior characteristics of being stronger than wrought iron and more malleable than cast iron, steel until a century ago remained a scarce commodity, limited mostly to the production of weapons and cutting tools, chiefly because of the time and experience required and the consequent expense in manufacturing it.

Iron manufacturing was not uncommon in early America, but steel production remained a small, specialized operation from 1734, when the first steelworks were established, until the mid-nineteenth century. Prior to the latter time steel was made by packing charcoal around pig iron bars and then heating the whole mass in a closed furnace for a week. Enough carbon was absorbed from the charcoal to turn the bar into steel. This method, however, was erratic and resulted in cast iron rather than steel whenever the uncontrolled carbon absorption was too great. Furthermore, the size of the piece that could be produced was necessarily very small.

It was not until the invention of the Bessemer process in the 1850's that a practical means was discovered for producing cheap steel on a large scale. Production rose quickly when this process became widespread after the Civil War. Output by the Bessemer furnace rose from 3,000 tons in 1867 to more than 13 million tons in 1906, when it was finally surpassed by the more flexible open-hearth process which had developed rapidly after 1890. Today, the open-hearth method accounts for nearly seven-eighths of the nation's total steel production.

Manufacturing Giant

Steel is perhaps the most basic of American industries. It forms the center of a galaxy of finishing and fabricating industries which furnish products for nearly every industry, office, and home in the nation. American steel output is the largest in the world, accounting for nearly 30 percent of the world total in 1959 despite the prolonged strike that cut production in the summer and fall. Nationally, the steel industry ranks behind the automotive and aircraft industries as the third largest manufacturing industry.

In the latter part of the nineteenth century and the first part of this century, the industry went through a process of consolidation. Today, it is mainly composed of giant producers who can afford the enormous capital required for the construction of mammoth furnaces and automated mills and equipment. In all, the industry is made up of only 84 companies operating some 1,240 furnaces. The eight largest of these companies produced an estimated two-thirds of the nearly 100 million tons of steel ingots turned out in 1960 and employed nearly seven-tenths of the industry's 500,000 workers.

Ingot steel is produced in 29 states, but the industry is mostly concentrated in a six-state area stretching from New York and Pennsylvania to Illinois. This area provided nearly 66 percent of national production in 1960. However, there has been a gradual shift in production and capacity from the long-dominant Pennsylvania area to states nearer some of the newer markets, especially those west of the Mississippi.

Another of the more significant trends has been the growing national demand for light steels, such as sheets, tin plate, and strips, which are turned mostly into consumer goods. These light steels increased from about 46 percent of all rolled steel products in 1946 to 55 percent by 1959.

In recent years, the industry has had difficulties. Although the nation's steel capacity has steadily edged upward to an all-time high of 150 million tons, its output has leveled off since reaching a record 117 million tons in 1955. A number of factors account for the industry's plight, the most important of which has been the general contraction of the economy. In addition, the progress made in foreign steel production has generally weakened export demand for American-made steel and has brought about an upturn in imports. The industry also has faced greater competition from substitute materials, such as prestressed concrete, aluminum, and plastics, partly as a result of rising wholesale steel prices, which have increased more than 55 percent since 1950 compared with 23 percent for all commodities other than farm products and food.

Steelmaking in Illinois

Steel was produced in southern Illinois as early as the 1840's, but the later development of the industry in this State has centered chiefly in the Chicago area. The first ingot was not poured in Chicago until 1869, after the Bessemer system had been developed, although the city had several iron foundries as early as 1839. As a producer, Chicago grew quickly because of its natural accessibility to raw materials, the availability of suitable sites for steelworks, and the presence of actual and potential markets. Today, the Chicago steel district — which includes Gary, Indiana — is the nation's second largest steel center, exceeded only by Pittsburgh. Steel is also produced in three other areas, centered at Granite City, Sterling, and Peoria.

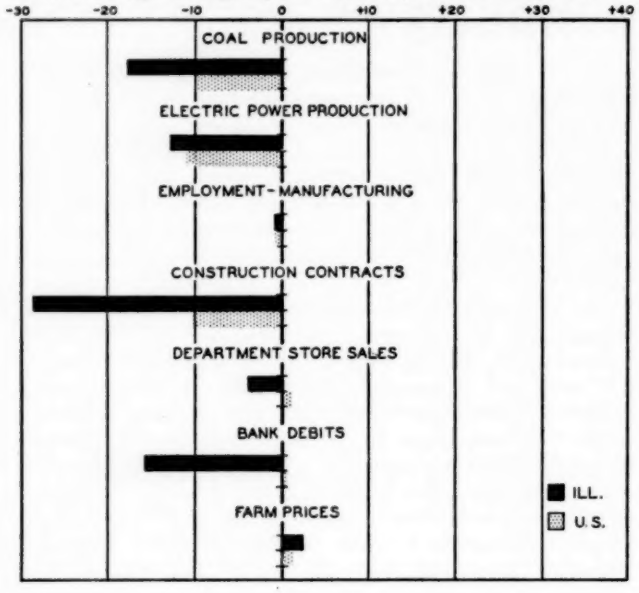
The state's steel capacity ranked fourth after Pennsylvania, Ohio, and Indiana, and its nineteen establishments employed more than 38,000 persons in 1958. Last year, the industry in Illinois produced more than 8.2 million tons of ingots in its 95 furnaces.

The United States Steel Corporation, the nation's largest steel producer, is also the leading steel manufacturer in the State. The company's Chicago plant, with an average employment of approximately 14,000 persons, has more than three times the employees of any other steel plant in the State. Among the large steel companies operating in the State, all of which employ more than 2,000 persons, are the Granite City Steel Company, Granite City; Republic Steel, Chicago; Acme Steel Corporation, Chicago; Laclede Steel, Alton; Northwestern Steel and Wire, Sterling; and Keystone Steel and Wire, Peoria.

STATISTICAL SUMMARY OF BUSINESS ACTIVITY

SELECTED INDICATORS

Percentage changes January, 1961, to February, 1961



ILLINOIS BUSINESS INDEXES

Item	Feb. 1961 (1947-49 =100)	Percentage change from Jan. 1961	Percentage change from Feb. 1960
Electric power[1]	231.6	−12.7	− 1.2
Coal production[2]	69.0	−17.8	−17.6
Employment—manufacturing[3]	93.7	− 0.8	− 8.7
Weekly earnings—manufacturing[3]	171.0[a]	− 1.1	− 0.8
Dept. store sales in Chicago[4]	121.0[b]	+ 1.7	+ 4.3
Consumer prices in Chicago[5]	130.5	+ 0.1	+ 1.1
Construction contracts[6]	189.2	−28.7	+ 1.1
Bank debits[7]	207.1	−15.8	+ 2.5
Farm prices[8]	85.0	+ 2.4	+ 9.0
Life insurance sales (ordinary)[9]	283.5	+12.8	+ 3.0
Petroleum production[10]	109.5	−10.3	− 3.0

[1] Fed. Power Comm.; [2] Ill. Dept. of Mines; [3] Ill. Dept. of Labor; [4] Fed. Res. Bank, 7th Dist.; [5] U.S. Bur. of Labor Statistics; [6] F. W. Dodge Corp.; [7] Fed. Res. Bd.; [8] Ill. Crop Rpts.; [9] Life Ins. Agcy. Manag. Assn.; [10] Ill. Geol. Survey.
[a] Data for January, 1961, compared with December, 1960, and January, 1960. [b] Seasonally adjusted.

UNITED STATES MONTHLY INDEXES

Item	Feb. 1961	Percentage change from Jan. 1961	Percentage change from Feb. 1960
	Annual rate in billion $		
Personal income[1]	405.9[a]	− 0.2	+ 2.6
Manufacturing[1]			
Sales	348.0[a]	+ 1.0	− 8.2
Inventories	53.6[a, b]	− 0.2	− 0.6
New construction activity[1]			
Private residential	15.6[c]	− 8.5	−12.1
Private nonresidential	15.4[c]	− 2.1	+ 1.8
Total public	12.0[c]	− 7.1	+13.0
Foreign trade[1]			
Merchandise exports	19.8[d]	− 8.3	+ 5.5
Merchandise imports	13.5[d]	− 2.9	− 1.7
Excess of exports	6.2[d]	−18.2	+25.0
Consumer credit outstanding[2]			
Total credit	54.1[b]	− 1.7	+ 6.0
Instalment credit	42.3[b]	− 1.2	+ 7.2
Business loans[2]	35.8[b]	− 0.1	+ 2.7
Cash farm income[3]	36.8[d]	− 1.8	+13.7
	Indexes (1947-49 =100)		
Industrial production[2]			
Combined index	102[a, e]	0.0	− 7.3
Durable manufactures	95[a, e]	0.0	−12.8
Nondurable manufactures	110[a, e]	0.0	− 1.8
Minerals	96[a, e]	− 2.0	0.0
Manufacturing employment[4]			
Production workers	93	− 1.3	− 8.7
Factory worker earnings[4]			
Average hours worked	97	0.0	− 2.5
Average hourly earnings	174	0.0	+ 1.3
Average weekly earnings	170	0.0	− 1.2
Construction contracts[5]	196	−10.1	− 0.2
Department store sales[2]	145[a]	0.0	+ 2.1
Consumer price index[4]	128	+ 0.1	+ 1.5
Wholesale prices[4]			
All commodities	120	+ 0.2	+ 0.6
Farm products	90	+ 0.7	+ 3.8
Foods	110	+ 0.6	+ 4.5
Other	128	0.0	− 0.5
Farm prices[3]			
Received by farmers	90	+ 1.1	+ 4.7
Paid by farmers	121	+ 0.8	+ 0.8
Parity ratio	81[f]	+ 1.2	+ 3.8

[1] U.S. Dept. of Commerce; [2] Federal Reserve Board; [3] U.S. Dept. of Agriculture; [4] U.S. Bureau of Labor Statistics; [5] F. W. Dodge Corp.
[a] Seasonally adjusted. [b] End of month. [c] Includes Hawaii and Alaska. [d] Data for January, 1961, compared with December, 1960, and January, 1960. [e] 1957 = 100. [f] Based on official indexes, 1910-14 = 100.

UNITED STATES WEEKLY BUSINESS STATISTICS

Item	1961					1960
	Mar. 25	Mar. 18	Mar. 11	Mar. 4	Feb. 25	Mar. 26
Production:						
Bituminous coal (daily avg.) thous. of short tons	1,104	1,083	1,022	1,048	1,103	1,485
Electric power by utilities mil. of kw-hr.	14,291	14,295	14,353	14,226	14,239	13,951
Motor vehicles (Wards) number in thous.	109	93	114	112	122	166
Petroleum (daily avg.) thous. bbl.	7,366	7,353	7,353	7,241	7,207	7,078
Steel 1947-49=100	93	91	91	92	92	151
Freight carloadings thous. of cars	500	507	493	501	468	601
Department store sales 1947-49=100	139	140	128	122	122	131
Commodity prices, wholesale:						
All commodities 1947-49=100	119.8	119.8	119.7	119.8	119.8	120.0[a]
Other than farm products and foods 1947-49=100	128.0	128.1	128.1	128.2	128.1	128.6[a]
22 commodities 1947-49=100	86.4	86.4	86.1	86.0	84.4	84.3
Finance:						
Business loans mil. of dol.	32,027	32,008	31,273	31,303	31,248	31,037
Failures, industrial and commercial number	359	363	318	408	348	286

Source: *Survey of Current Business, Weekly Supplements.*

[a] Monthly index for March, 1960.

RECENT ECONOMIC CHANGES

Consumer Attitudes

Preliminary findings of the latest Federal Reserve Board Survey of Consumer Finances indicate that consumers are showing a mixture of caution and confidence about economic conditions. Confidence in the long-range outlook was stronger than at any time in the past seven years. This was balanced, however, by an uneasiness brought on by the current recession.

In reporting their views about the current economic picture, 56 percent of those interviewed thought business conditions were worse than a year ago, and 25 percent indicated concern about job security and employment. On the other hand, the proportion of people who expect improvement in the near future was the highest at any time since June, 1954.

With respect to purchase plans, the report showed that the percentage of consumers planning to buy new or used automobiles in the next twelve months was substantially reduced from a year earlier. Plans for furniture and appliance purchases and home improvements were also lower. Planned purchases of new and existing homes were about the same as last year but below 1959.

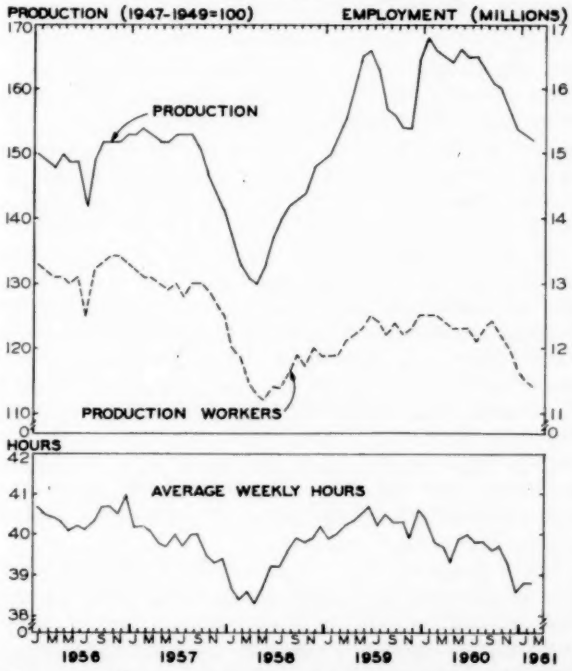
Manufacturers' Sales and Profits

Sales of United States manufacturing corporations rose in 1960 to a record $346 billion, 2.3 percent above the $338 billion of 1959. Almost all industry groups registered small gains during the year. The over-all increases for durable goods and nondurable goods industries were 3 percent and 2 percent respectively.

After-tax earnings in 1960 fell to $15.2 billion, about 7 percent below the $16.3 billion of the previous year. Most of the decline centered in durable goods industries, where profits dropped 13 percent from 1959, compared with 1 percent in the nondurable group. On a quarterly basis, after-tax earnings rose to a peak of $4.1 billion in the second period, fell off to $3.6 billion in the third quarter, and continued downward to $3.5 billion in the final three months of the year.

The annual rate of profits after taxes per dollar of sales declined to 4.4 cents in 1960, compared with 4.8 cents in 1959. As a percentage of stockholders' equity the after-tax profit rate decreased from 10.2 percent in 1959 to 9.1 percent last year.

MANUFACTURING PRODUCTION, EMPLOYMENT, AND HOURS



Sources: Federal Reserve Board and U.S. Department of Labor.

Manufacturing Output and Productivity

Manufacturing production continued to decline in February, falling to a two-year low of 152 percent (seasonally adjusted) of the 1947-49 average. The seven-month decline which began last August has resulted in a 13 point, or 7.9 percent, drop in the Federal Reserve Board's index of manufacturing production.

As a result of the cutbacks in manufacturing activity, average hours worked per week and employment have also been substantially reduced in recent weeks. In February the average workweek for production workers was 38.8 hours, down from 40 hours in June, 1960. The number of production workers engaged in manufacturing has declined by about a million workers, or 8 percent, since September and stood at 11.4 million in February.

The accompanying chart shows how the postwar upward movement in output has been accompanied by a steady decrease in man-hours. The divergence in these trends reflects gains in manufacturing productivity.

Housing Starts

Housing starts rose for the second consecutive month in February as work was begun on privately owned new homes at a seasonally adjusted annual rate of 1,154,000 units, an advance of 7 percent over the January rate of 1,076,000. The February rate, however, was still 16 percent below a year ago and does not represent a definite reversal of the downtrend from early 1959.

Actual starts of privately owned dwelling units in February were 5,900 units above the previous month's level of 68,000, but well below the 87,900 units started in February, 1960. For the first two months of 1961 the number of private dwelling units started totaled 141,900, compared with 175,000 in the same period last year.

Employment

The total number of job holders rose in March to a record high for the month of 65.5 million. The increase of 861,000 over February raised total employment more than 1.2 million above the old March record set in 1960. This year-to-year change was slightly exceeded by the corresponding rise in unemployment. During the month of March, the number of jobless fell 210,000 to 5.5 million. The decline was less than seasonal, however, and as a result the seasonally adjusted rate of unemployment rose to 6.9 percent of the civilian labor force.

Labor Department data, in thousands of workers, are as follows:

	Mar. 1961	*Feb. 1961*	*Mar. 1960*
Civilian labor force	71,011	70,360	68,473
Employment	65,516	64,655	64,267
Agricultural	4,977	4,708	4,565
Nonagricultural	60,539	59,947	59,702
Unemployment	5,495	5,705	4,206
Seasonally adjusted rate	6.9	6.8	5.5

THE PROBLEM OF CHRONIC UNEMPLOYMENT

JACOB J. KAUFMAN, Professor of Economics
The Pennsylvania State University

It has been said that "mass unemployment of the thirties largely gave way to class unemployment of the fifties." In other words this country has many pockets of unemployment concentrated in hundreds of areas in the country and among the aged, the youth, the unskilled, and the non-whites.

It is the purpose of this article to describe these pockets of unemployment; to discuss what is being done about chronic unemployment by federal, state, and local agencies; to summarize the current legislative effort; and to evaluate this effort in terms of its sufficiency to meet the problem.

The Incidence of Chronic Unemployment

Where are the chronically unemployed? In January, 1961, the United States Department of Labor reported that there were 76 major and 152 smaller labor market areas with substantial labor surpluses. These 228 areas were located in 35 states and Puerto Rico, with 8 states — Connecticut, Kentucky, Massachusetts, Michigan, New York, Ohio, Pennsylvania, and West Virginia — accounting for 123, or more than half, of such areas.

Areas are classified as having *substantial* labor surpluses if (1) job seekers are in excess of job openings, with the situation expected to continue over the next four months; (2) the ratio of unemployment to the total labor force is 6 percent or more; (3) the net nonagricultural labor requirements anticipated for the succeeding two and four months indicate declining employment levels or no significant increase; and (4) the current or anticipated labor surplus is not due primarily to seasonal or temporary factors.

Areas are classified as having both *substantial* and *persistent* labor surpluses if they have had not only the foregoing characteristics but also an annual average unemployment rate of (1) at least 50 percent above the national average for three of the preceding four calendar years; or (2) at least 75 percent above the national average for two of the preceding three calendar years; or (3) at least 100 percent above the national average for one of the preceding two calendar years. The national average unemployment rates for the preceding four calendar years of 1957, 1958, 1959, and 1960 were 4.3, 6.8, 5.5, and 5.6 percent respectively.

In January, 1961, a total of 20 major areas and 83 smaller areas qualified under the substantial and persistent criteria. These areas were located in 26 states and Puerto Rico. Fifty-eight such areas, or more than half, were concentrated in five states — Kentucky, Michigan, New York, Pennsylvania, and West Virginia.

Who are the chronically unemployed? The heaviest relative incidence of unemployment falls on the younger persons in the labor force, particularly in the 16-to-18 age group. From 1955 to 1959 male workers under 24 years of age comprised 18 percent of all unemployment, although they represented only slightly more than 9 percent of the labor force. Comparable figures for female workers were 10 percent and 6 percent, respectively.

With respect to the workers in the upper age brackets, national averages might be somewhat misleading. Although these figures reveal that the relative incidence of unemployment is lower than that for other age groups, it is known that the older groups tend to have a longer duration of unemployment. It is reasonable to infer that in areas which have had persistent unemployment the relative incidence of unemployment in this older age group has been higher than the average.

Non-whites also bear a heavier incidence of unemployment than whites. This reflects discriminatory practices as well as such handicaps as lack of skill, lack of education, and lower income, which in turn reflect discriminatory practices in another form.

It is important to note that chronically unemployed workers are persons who have limited skills and lack material resources. These facts are significant when one turns to the question of how the problem of chronic unemployment might be approached.

What causes chronic unemployment? Any analysis of the question of what causes chronic unemployment would be extremely detailed and complex and is beyond the scope of this article. As a brief summary, however, it can be said that the areas which have had chronic unemployment have been affected by one or a combination of several factors: migration of industry, shifts in demand, technological changes, depletion of resources, and changes in foreign trade.

In the New England and Middle Atlantic states we have seen, for example, a movement of plants to other sections of the country, attracted apparently by prospects of lower wage rates and lower standards of social legislation. Pennsylvania, Kentucky, and West Virginia have been seriously affected by a combination of the reduced demand for coal as fuel and major technological changes. Cities such as Gloversville and Johnstown in New York and Danbury and Norwalk in Connecticut are classic illustrations of communities that have been unable to cope with foreign competition. Many important railroad centers have been seriously affected by the dieselization of the railroads.

What Has Been Done?

Localized, as distinguished from national, unemployment was recognized as a problem just after the end of World War II. Its impact was more clearly indicated during the 1948-49 recession, as the Department of Labor resumed its program of classifying the labor supply situation in various local areas of the country. Since then many programs have developed at federal, state, and local levels.

On the federal level, in mid-1949, a program was instituted to direct government loans and contracts into areas of substantial labor surplus. Subsequently in 1952, as an outgrowth of the Korean War, efforts were made to direct additional government contracts into such areas. Special rapid tax write-off allowances were approved for firms which established or expanded certain types of defense facilities in such areas. Since December, 1954, areas of labor surplus have also been given preferential treatment under the Buy American Act when firms in these areas were bidding against foreign firms for government procurement contracts.

Other programs have indirectly been of assistance to labor surplus areas, including the urban redevelopment programs under the Housing and Home Finance Agency, the technical assistance program of the Department of Commerce, the community employment program of the Department of Labor, and the Small Business Investment Act of 1958. The present administration is considering

an expansion of SBA loans to industrial development corporations at relatively low interest rates.

A severe limitation of these programs is that, with few exceptions, they have been directed to all areas of labor surplus, regardless of whether these areas suffered from persistent or chronic unemployment or from unemployment of a recessionary or short-term nature. For this reason federal legislation designed specifically to meet the problems of areas of chronic unemployment was developed.

On the state level there have grown up in recent years state development authorities or corporations. Although most states carry on economic development and planning activities, many limit these to programs of a broad promotional nature designed to induce firms to locate in their states. Only five — New Hampshire, Pennsylvania, Maine, Rhode Island, and Kentucky — had established by 1958 special agencies which have been involved in the financing of new plants. New York State is currently considering a proposal to establish a state agency for industrial development purposes. One of the most successful has been the Pennsylvania Industrial Development Authority (known as PIDA), which has been assisting in the financing of firms that locate in chronically depressed areas of the state. Typically, PIDA lends 30 percent of the funds necessary for land and buildings, 20 percent is provided by a local development corporation, and 50 percent is obtained from private institutions. Currently, attempts are being made to amend the law to provide that the state contribution be increased and the local contribution be decreased in areas where the rate of unemployment is substantial.

Although these programs have been successful in the sense of being fully utilized, the amount of state funds available for such purposes is limited. Many states (particularly those with substantial unemployment) are unable to increase tax rates, often fearing that higher taxes may make the state unattractive to industry.

On the local level, many varieties of local industrial and community development corporations have been developed over the years. Some are offshoots of chambers of commerce; others are specifically organized to raise funds to induce firms to locate in their areas. These organizations — whose numbers run into thousands — vary considerably in terms of their origin, structure, operations, and objectives. Their success is difficult to measure. A basic limitation is their inadequate resources, either from the point of view of developing intelligent plans or of obtaining financial support. A second difficulty has been a shortage of adequate leadership in the organizations.

Despite these federal, state, and local activities, the problem of chronic unemployment persists and grows worse. Each recession tends to leave behind an increasing number of communities with more serious unemployment problems. At best the net effect of all industrial development activities — private as well as public — has been the prevention of a worse chronic unemployment problem. It is for this reason that attention has been directed toward federal legislation developed specifically for assistance to areas of chronic unemployment.

Federal Legislation

Federal aid to areas of chronic unemployment is embodied in S.1 of the current Congress, introduced by Senator Paul Douglas. As of the end of March the bill had been passed by both houses of Congress. It provides that:

(1) The administration of the law will be in the hands of an area development administrator in the Department of Commerce.

(2) The criteria for determining the eligibility of an area for assistance are essentially the same as those set forth earlier for determining whether an area has been one of substantial and persistent labor surplus. As of January, 1961, a total of 20 major areas and 83 smaller areas would automatically be eligible. The administrator is given certain discretionary authority to designate areas for eligibility on generally similar criteria. Finally, certain rural areas will be eligible if they are among the highest in numbers and percentages of low-income families and if there exist conditions of substantial and persistent unemployment or underemployment.

(3) Financial assistance will be in the form of loans for the purchase or development of land and facilities (including, in exceptional cases, machinery and equipment) to be leased to industrial enterprises. Financial assistance cannot be extended for working capital or for the purpose of relocating a firm at the expense of another area.

(4) If state or local agencies exist which are directly concerned with problems of economic development, approval of such agencies is required. Where such agencies do not exist the administrator will establish local redevelopment committees for handling the financial assistance.

(5) Financial assistance wil be subject to the following limitations: (a) the absence of alternative assistance must be established; (b) the loan is not to be for a period longer than 25 years; (c) the interest rate is to be equal to the average current yield of outstanding Treasury bonds of comparable maturity, plus one-half of 1 percent per annum (currently resulting in 4⅜ percent for a 20-year loan); (d) the assistance is not to exceed 65 percent of the total cost of land and buildings; (e) not less than 10 percent of the loan must be supplied by the state or local agencies; (f) not less than 5 percent must be supplied by nongovernmental sources.

(6) Loans for public facilities are to be made for periods not to exceed 40 years. The federal agency may provide 65 percent and the state not less than 10 percent. The interest on these loans is to be based on the average rate paid on the outstanding Treasury debt, plus one-fourth of 1 percent. Currently this would mean about 3½ percent.

(7) Grants can be made for certain public facilities subject to certain limitations.

(8) Funds are made available for technical assistance to the labor surplus areas for the purpose of conducting economic studies of these areas.

(9) The urban renewal program is authorized to operate in these labor surplus areas and urban planning grants can also be made to these communities.

(10) Provision is made for a vocational training program under the general direction of the Department of Health, Education, and Welfare, assisted by the Department of Labor and the appropriate state agencies. Such training is limited to persons in labor surplus areas who may be employed by newly located firms. Provision is also made for subsistence payments to such persons during the retraining period.

The bill provides funds of $100 million each for industrial areas and rural low-income areas for loans for construction of new plants. Another $100 million is made available for loans for public facilities to service these

new industries. Grant funds of $75 million are made available for public facilities in communities which are financially unable to handle loans. The technical assistance program and the program for retraining workers will each have $4.5 million annually. Finally, $10 million is to be appropriated annually for subsistence payments to workers during their periods of retraining. The total package amounts to $394 million.

Will Federal Legislation Do the Job?

A necessary, but not sufficient, condition for successful area redevelopment legislation is that the economy operate at full capacity and that it grow at an adequate rate. Without this condition it becomes difficult to persuade new firms (or branches) to locate in the appropriate areas. Area industrial development must be part of a growing economy. In addition, any relocation of the working force requires that there be sufficient demand for these workers in other areas of the country.

The present administration in Washington seeks, as a first objective, to reach a level of national output at which unemployment will be reduced to about 4 percent. There is also some evidence that the Administration is seeking a 5 percent annual rate of growth. Will this level of unemployment and this rate of growth be sufficient to sop up the pockets of chronic unemployment? The answer appears to be in the negative, unless we have an amount of government expenditures which will create severe inflationary pressures. A 4 percent level of unemployment will hide many communities which have much higher rates of unemployment, and a 5 percent rate of growth may be inadequate to take care of both the increasing number of persons entering the labor force and the unemployment in distressed areas.

Will the area redevelopment legislation be adequate to reduce chronic unemployment and induce the relocation of workers under these conditions? Although the contribution of this legislation toward the alleviation of the problem is not to be denied, it should be recognized that it is only a single step toward its solution. (1) The amount of financial assistance should be increased commensurate with the size of the problem. (2) Specific programs directed toward the groups most seriously affected should be developed, along with industrial development. (3) More adequate provision should be made for retraining workers so that their potential for work is improved, regardless of whether such retraining is directly related to industrial development. (4) More attention should be given to broad regional planning so that industrial development can fit into broad economic and social goals. (5) The role of the federal employment service should be increased so that more serious efforts are made to move workers to areas where the demand for labor is high. This program should be closely allied to the vocational retraining program. (6) As a preventive action, assistance should be provided for communities which at present may not be eligible for financial assistance but which threaten to become economically depressed.

Above all, it is essential that we take those steps necessary to develop an economy of full employment and adequate growth, a necessary condition for effective assistance to areas suffering from persistent high levels of unemployment. Failure to understand this, as well as the limitations of the proposed legislation, might well lead to failure of the attempts to remove this economic blight from our country.

Accelerated Depreciation

(Continued from page 2)

have the capacity and they do not; the excess puts a brake on new investment. They are gaining their growth from lower levels, which facilitates high relative rates, and are doing so partly by importing our technology. Low wages and favorable exchange rates have given them a competitive advantage in world markets, relieving them of balance-of-payments restrictions. For these and other reasons, any superficial correlation is bound to be spurious.

All of these devices to stimulate investment have the common property of costing the government substantial tax revenues. If they could buy recovery, the price would not necessarily be too high. The Kennedy Administration has apparently decided not to ask Congress for a regular tax cut to deal with the current recession. This may be mistaken, since many economists feel that taxes are too high, that the federal budget is balanced at too high a level of unemployment. But if some kind of accelerated depreciation is employed, it is nonetheless a tax cut, and it should be judged as such.

For Growth or Instability

The trouble with using such tax incentives on a year-in, year-out basis is that nobody knows whether they contribute more to instability than to growth. The evidence points to definite changes in investment timing, especially if on-and-off switches occur with changes in conditions, but as to the aggregate over a long period, it is still inconclusive. Some firms that would otherwise be pinched for funds are enabled to grow faster. But if growth should be concentrated in periods of high general demand, the effect would be to accentuate the swings.

The tendency to aggravate boom conditions was experienced in Sweden when unrestricted depreciation was permitted in the period from 1938 to 1951. The combination of high taxes and high profits contributed to high spending and inflation. Many concerns began to acquire "depreciation objects" not really needed in the business. Restrictions therefore had to be instituted, though on a relatively modest scale.

When business faces conditions that call for expansion, it needs neither special financing nor artificial stimulus. There has hardly ever been a shortage of funds for business expansion. Even deliberate efforts to restrict have only limited effects. The banking system could be restricted, but business could generally be done without benefit of loans. The pricing system has its own way of creating finances for any product in strong demand.

On the other hand, when conditions do not warrant expansion, business investment is impervious to minor inducements. In depression, when capacity is generally excessive, the incentive to expand cannot be re-created by any reasonable write-off concessions for tax purposes. Generally speaking, the income is not there to seek for a tax haven. But to the extent that it is, and its retention is permitted, it is likely to be used for improving the debt structure. Cash flowing from depreciation is especially attractive for this purpose, since it is free from the claims of both the tax collector and the stockholder seeking dividends.

It appears from this that accelerated depreciation does more to aggravate the cycle than to guarantee stable prosperity. It would not do, however, to overemphasize the point. The economic changes wrought by such devices are marginal. The basic forces of growth and of cyclical decline still predominate. VLB

BUSINESS BRIEFS

PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST

Rise in the Non-White Population

The Negro population in the United States totaled 18.9 million in April, 1960, according to the 1960 Census of Population. This represents 10.5 percent of the total population enumerated in the 50 states. In 1950 Negro population amounted to 15.0 million, or 10 percent of the total population of the 48 states. Data for Negroes in Alaska and Hawaii were not compiled in 1950; however, the number must have been very small, inasmuch as the Negro count was only 7,000 in Alaska and 5,000 in Hawaii in 1960.

As would be expected, the majority of the Negroes in the country are still located in the South. However, the proportion in that part of the country is diminishing. In 1950, 68 percent of the Negro population lived in the South and in 1960, 60 percent. In 1960 the North Central region accounted for 18 percent of the total Negro population, the Northeast 16 percent, and the West 6 percent.

Some other segments of the non-white population have also experienced substantial increases between 1950 and 1960. The number of American Indians rose 47 percent from 1950 to 524,000 in 1960. Persons of Japanese origin totaled 464,000 in 1960, an increase of 42 percent, and those of Chinese origin rose to 237,000 in 1960, nearly 60 percent higher than in 1950.

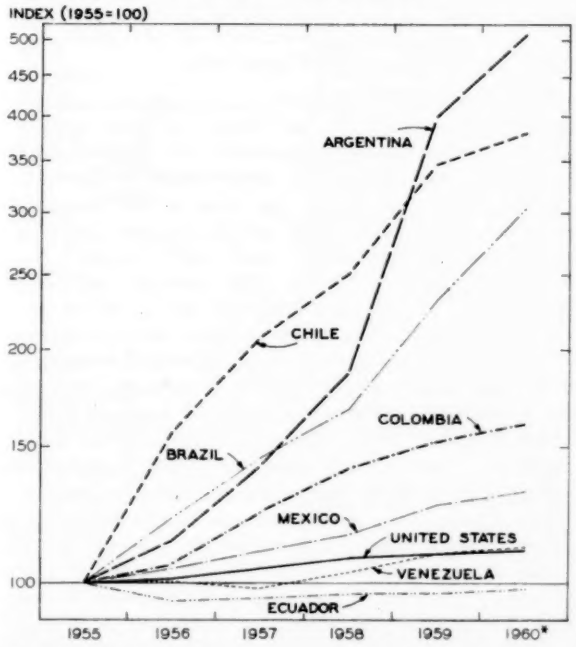
Public Employment Up

Public employment in the United States totaled 8.8 million during October, 1960, up about 300,000 from October, 1959. This figure, just reported by the Bureau of the Census, includes civilian workers employed by federal, state, and local governments. Of the total, 2.4 million were employees of the federal government; this number has remained practically unchanged since 1953. State and local governments, however, increased their working force 5 percent from October, 1959, to 6.4 million.

Five major divisions of governmental activity account for about two-thirds of public employment. Education alone accounted for 33 percent of all public employment; national defense was next with 12 percent. Health and hospitals, postal service, and highways together engage 22 percent. The remaining 33 percent is distributed among some fifteen other functions, of which only one, general control, accounts for as much as 6 percent.

Of the five leading functions of government, only health and hospitals involve a significant proportion of employees on all three levels of government. National defense and postal service are basically federal, and education and highways are predominantly state and local functions.

CONSUMER PRICES OF SELECTED AMERICAN COUNTRIES



*June, 1960, data.
Source: Pan American Union, *Indices de Precios al Consumidor de las Naciónes Americanas,* Bulletin No. 4 (1961).

New Transmission System

Business Week reports that the New York Air Brake Company has begun producing a new transmission for use in materials handling, construction, and agricultural motor vehicles. The new system is called a hydrostatic transmission. It uses hydraulic pumps and motors connected by high-pressure hoses which transfer power from the vehicle's engine to the wheels.

Some of the advantages of the hydrostatic transmission system are that it furnishes an almost unlimited range of "gear ratios" between idling and full speed in both forward and reverse and the vehicle's speed can be slowed to a crawl while the engine still continues to run at efficient working speed. The need for maintenance is slight since there are few parts that tend to wear and the system is self-lubricating.

Consumer Price Comparisons

The Organization of American States has recently released a bulletin which shows consumer price movements in 22 nations in the Western Hemisphere. In order to obtain a uniform presentation, all indexes were converted to a base year, 1955. Whenever possible, five indexes are presented for each nation — total, food, housing, clothing, and other expenses — and a uniform description is given of the five indexes.

As is shown in the accompanying chart, the consumer price indexes of the selected countries have varied widely. Argentina experienced the highest rate of increase, the total consumer price index having risen 407 percent from 1955 to June, 1960. During the same period the index advanced 277 percent in Chile and 204 percent in Brazil. The United States and Venezuela had the smallest increases during the period; however, much greater price advances occurred in these countries shortly after World War II. Ecuador was the only country where consumer prices have remained under the 1955 price level.

The five indexes reported show important differences in the way prices have varied among countries. In Argentina and Colombia the food price index advanced more than the other indexes. Increases in the cost of housing have led in Brazil and Chile, whereas the cost of clothing has had the highest rate of increase in Venezuela. In the United States the prices of "other expenses" have had the greatest upward movement since 1955.

LOCAL ILLINOIS DEVELOPMENTS

Illinois Public Aid Up

The Illinois Public Aid Commission reports that in January, 1961, the number of persons receiving public aid in the State reached the highest figure since November, 1942. There were about 416,000 persons receiving public aid in January, 1961, compared with 398,000 in December, 1960, and 376,000 in January, 1960. The rise from December is attributed to seasonal factors and the effects of the present recession.

The number of persons receiving general assistance rose 18 percent in the downstate area and 6 percent in Cook County, bringing the total January load to about 165,000 persons, or about 17,000 more than in the previous month. This increase was due mainly to layoffs, discharges, and exhaustion of unemployment compensation benefits.

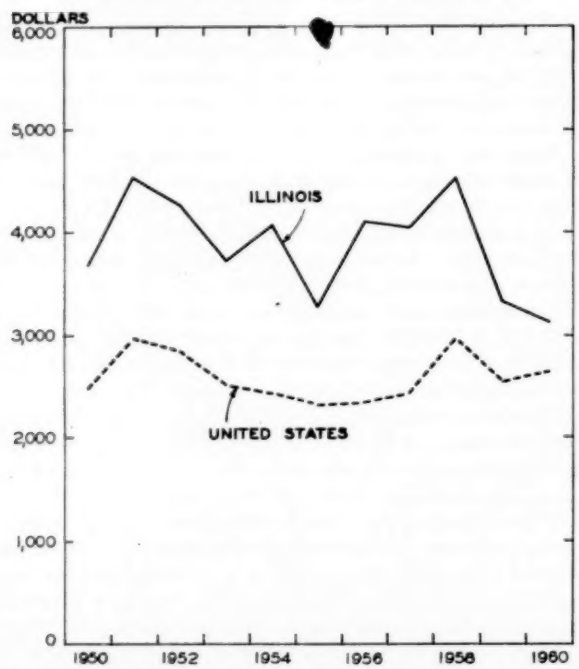
The total cost of the public aid program in the State in January, 1961, amounted to $20.4 million, of which the state's share was $11.2 million. Compared with January a year ago, public aid costs have increased 11 percent. The cost of general assistance accounted for about 33 percent of the total cost of public aid, assistance to dependent children made up 31 percent, and old age assistance accounted for 27 percent. The remaining 9 percent went to assist the blind and other disabled persons.

Increase in Electric Power Use Slows

The slowdown in business activity in 1960 resulted in a smaller increase in electric power consumption in 1960 than in other recent years. Approximately 43.1 billion kilowatt-hours were consumed in Illinois in 1960, a rise of 3 percent from 1959 compared with the 7 percent increase experienced in 1959 over 1958. The sixteen selected cities shown on page 11 consumed 14.9 billion kilowatt-hours or 35 percent of the electric power consumed in the entire State. In 1960 total electric power consumption in these cities was up only 1 percent from the 1959 level, whereas it was 10 percent higher in 1959 than in the previous year.

Gains in power use in 1960 were made by twelve of these cities. However, power consumption in both Alton and Peoria decreased 2 percent and in Galesburg and Decatur 1 percent, reflecting the impact of the recession on their manufacturing industries. The largest gains were experienced in Bloomington, East St. Louis, and Belleville, which were up 17 percent, 12 percent, and 10 percent respectively.

TOTAL NET INCOME PER FARM



Source: U.S. Department of Agriculture, *Farm Income Situation*, August, 1960, supplement, and February, 1961.

Chicago's Location of Industry

The Department of City Planning in Chicago recently released a report entitled *Locational Patterns of Major Manufacturing Industries in the City of Chicago.* It presents a description of the type, number, and employment of major industrial plants located in the city, and makes proposals for improving land use for further industrial development. The report suggests that the large tracts of vacant land zoned for industry around Lake Calumet and in other areas should be made more attractive for industrial development. By consolidating the clusters of small vacant properties, larger lots which are more suitable to modern industrial buildings could be formed. It is concluded that the land now zoned for manufacturing, of which about one-fourth is vacant property, comprises about 20 percent of all land in Chicago and should be sufficient to take care of future industrial expansion.

The report reveals that as of March, 1958, there were over 10,000 manufacturing establishments located in Chicago, employing 584,000 workers. About 17 percent of these firms employed 50 or more persons and accounted for 75 percent of the total manufacturing employment. In addition, it was found that plant location follows something of a pattern, the primary industries being concentrated on the south side of the city and the processing and finishing plants being located chiefly on the north side.

Illinois Net Income per Farm Falls

Net farm income per farm in Illinois, including government payments and the net change in farm inventories, declined for the second consecutive year in 1960, according to data released by the Department of Agriculture. In 1960 farmers' net income per farm in the State totaled $3,136, 6 percent below 1959 and 31 percent below 1958. The national net income per farm, which dropped 14 percent from 1958 to $2,548 in 1959, partially recovered in 1960, rising 4 percent to $2,646.

As is shown in the accompanying chart, net income per farm in Illinois remained at least $1,000 above that for the nation as a whole from 1950 through 1958. However, in 1959 this margin was reduced to about $800, and in 1960 it fell to $500. The state's ranking in net farm income per farm in the nation dropped from eleventh place in 1958 to eighteenth place in 1960.

Two of the main causes for the large decline in Illinois net farm income per farm within the last two years are the sharp drop in hog prices and the net change in inventories. Receipts from hogs dropped about 10 percent from 1958 to 1959 and accounted for about 50 percent of the decline in the state's total cash farm receipts in 1959. Although total cash receipts in Illinois recovered somewhat in 1960, net farm income per farm still declined because of the decline in inventories.

COMPARATIVE ECONOMIC DATA FOR SELECTED ILLINOIS CITIES

February, 1961

	Building Permits[1] (000)	Electric Power Consumption[2] (000 kwh)	Estimated Retail Sales[3] (000)	Department Store Sales[4]	Bank Debits[4] (000,000)	Postal Receipts[5] (000)
ILLINOIS	**$40,120[a]**	**1,287,214[a]**	**$499,637[a]**		**$18,102[a]**	**$16,884[a]**
Percentage change from Jan., 1961	+60.1	−1.3	−27.0	−4	−15.8	−15.2
Percentage change from Feb., 1960	+7.5	−0.6	−7.6	+1	+2.5	+2.0
NORTHERN ILLINOIS						
Chicago	**$33,729**	**943,986**	**$370,565**		**$16,764**	**$14,414**
Percentage change from Jan., 1961	+84.5	−0.8	−23.7	−4	−16.0	−14.0
Percentage change from Feb., 1960	+52.0	−1.0	−8.2	0	+3.0	+0.9
Aurora	**$ 403**	n.a.	**$ 7,682**		**$ 74**	**$ 174**
Percentage change from Jan., 1961	+46.0		−30.9	−5	−11.0	−9.6
Percentage change from Feb., 1960	+43.4		−6.3	−3	+1.2	+6.9
Elgin	**$ 141**	n.a.	**$ 4,790**		**$ 45**	**$ 153**
Percentage change from Jan., 1961	−39.5		−41.4	n.a.	−14.0	+5.2
Percentage change from Feb., 1960	+6.8		−11.9		−0.7	+30.3
Joliet	**$ 701**	n.a.	**$ 9,552**		**$ 80**	**$ 122**
Percentage change from Jan., 1961	+171.7		−31.6	−11	−14.5	−31.2
Percentage change from Feb., 1960	+84.0		−6.3	−11	−8.4	+5.3
Kankakee	**$ 27**	n.a.	**$ 4,164**		n.a.	**$ 69**
Percentage change from Jan., 1961	−79.4		−39.5	n.a.		−28.4
Percentage change from Feb., 1960	−95.1		−4.9			+4.6
Rock Island-Moline	**$ 450**	**29,684**	**$ 9,652**		**$ 107[b]**	**$ 205**
Percentage change from Jan., 1961	−9.3	+18.8	−29.9	n.a.	−7.0	+2.9
Percentage change from Feb., 1960	+10.8	+2.5	−4.4		+0.6	+6.2
Rockford	**$ 760**	**52,869[c]**	**$16,548**		**$ 189**	**$ 254**
Percentage change from Jan., 1961	−54.6	−8.2	−31.4	+3[c]	−6.1	−30.4
Percentage change from Feb., 1960	−67.4	−4.0	−9.0	−1[c]	−3.7	+0.8
CENTRAL ILLINOIS						
Bloomington	**$ 206**	**11,434**	**$ 5,101**		**$ 75**	**$ 124**
Percentage change from Jan., 1961	+34.6	−7.4	−31.7	n.a.	−12.8	+0.5
Percentage change from Feb., 1960	−97.1	+1.2	+2.2		+10.9	+25.6
Champaign-Urbana	**$ 86**	**15,916**	**$ 7,118**		**$ 77**	**$ 124**
Percentage change from Jan., 1961	−25.2	−5.1	−32.6	n.a.	−13.7	−29.9
Percentage change from Feb., 1960	−56.1	+0.9	−0.1		+2.6	−0.8
Danville	**$ 227**	**15,169**	**$ 5,199**		**$ 45**	**$ 79**
Percentage change from Jan., 1961	−47.2	−2.0	−37.0	+1	−14.5	−22.7
Percentage change from Feb., 1960	−52.2	−0.8	−0.6	−5	−3.3	+13.9
Decatur	**$ 200**	**37,769**	**$ 9,944**		**$ 108**	**$ 129**
Percentage change from Jan., 1961	−0.5	+0.6	−31.2	−4[c]	−13.9	−29.4
Percentage change from Feb., 1960	−57.7	+2.5	−3.6	−5[c]	−2.3	+4.3
Galesburg	**$ 60**	**9,801**	**$ 3,981**		n.a.	**$ 53**
Percentage change from Jan., 1961	+100.0	−6.2	−33.9	n.a.		−26.0
Percentage change from Feb., 1960	+53.8	−2.8	+0.0			+8.4
Peoria	**$ 408**	**61,757[c]**	**$13,920**		**$ 200**	**$ 335**
Percentage change from Jan., 1961	+1.0	−1.4	−52.3	+5	−16.4	−15.4
Percentage change from Feb., 1960	−66.0	+1.8	−12.6	+11	−10.5	+6.5
Quincy	**$ 92**	**13,673**	**$ 4,406**		**$ 47**	**$ 86**
Percentage change from Jan., 1961	−45.9	−1.0	−37.1	+7	−21.5	−50.0
Percentage change from Feb., 1960	−21.4	+12.5	−5.8	+7	−1.2	+12.2
Springfield	**$ 1,746**	**40,386[c]**	**$11,394**		**$ 120**	**$ 386**
Percentage change from Jan., 1961	+278.7	−9.4	−28.2	−4[c]	−15.7	−12.1
Percentage change from Feb., 1960	+43.0	−0.5	−1.9	+11[c]	−6.3	+21.6
SOUTHERN ILLINOIS						
East St. Louis	**$ 75**	**18,310**	**$ 7,290**		**$ 130**	**$ 88**
Percentage change from Jan., 1961	+525.0	−3.3	−29.1	n.a.	−17.1	−42.1
Percentage change from Feb., 1960	+19.0	+6.9	−6.8		−1.8	+0.7
Alton	**$ 586**	**23,572**	**$ 4,189**		**$ 41**	**$ 39**
Percentage change from Jan., 1961	−65.8	−1.1	−33.1	n.a.	−10.2	−45.3
Percentage change from Feb., 1960	+334.1	−6.3	−8.4		−8.1	−5.2
Belleville	**$ 223**	**12,888**	**$ 4,143**		n.a.	**$ 51**
Percentage change from Jan., 1961	+1,138.8	−5.3	−34.7	n.a.		−43.4
Percentage change from Feb., 1960	+78.4	+7.4	−0.4			−1.8

[a] Total for cities listed. [b] Includes East Moline. [c] Includes immediately surrounding territory. n.a. Not available.

Sources: [1] Local sources. Data include federal construction projects. [2] Local power companies. [3] Illinois Department of Revenue. Data are for January, 1961. Comparisons relate to December, 1960, and January, 1960. [4] Research Departments of Federal Reserve Banks in Seventh (Chicago) and Eighth (St. Louis) Districts. Department store sales percentages rounded by original sources. [5] Local post office reports. Four-week accounting periods ending February 3, 1961, and February 5, 1960.

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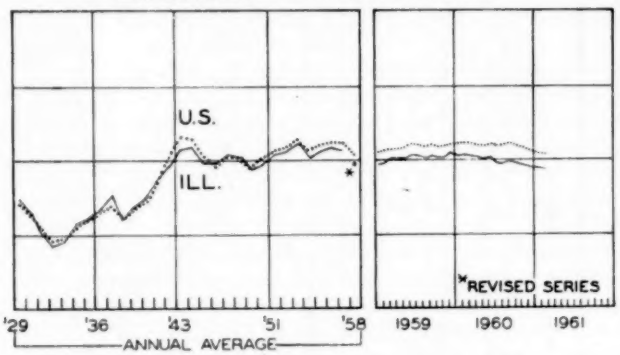
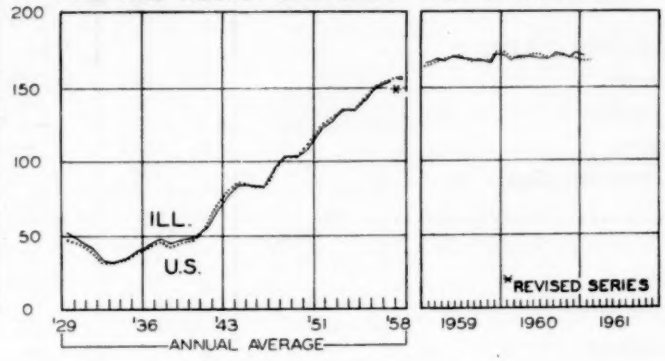
INDEXES OF BUSINESS ACTIVITY

1947-1949 = 100

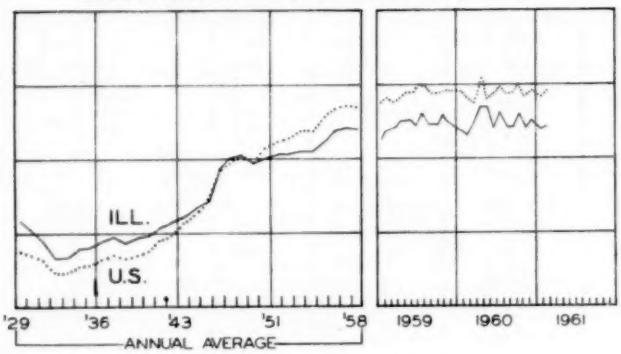
EMPLOYMENT MANUFACTURING



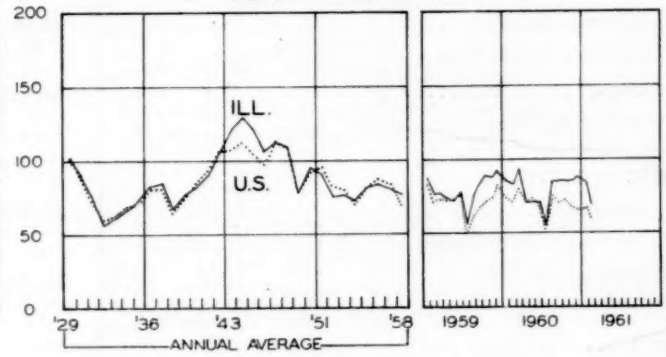
AVERAGE WEEKLY EARNINGS—MANUFACTURING



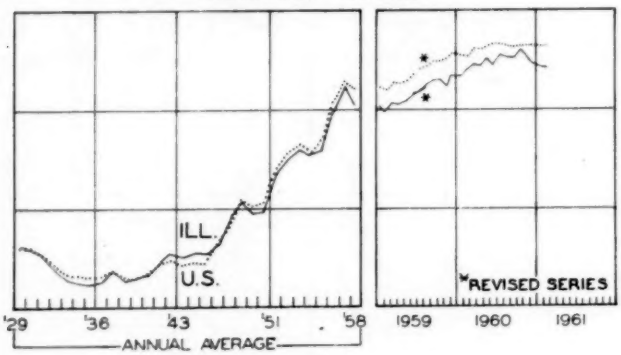
DEPARTMENT STORE SALES (ADJ.)



COAL PRODUCTION



BUSINESS LOANS



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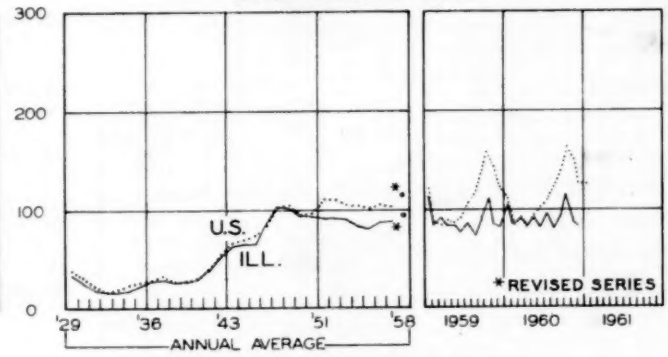
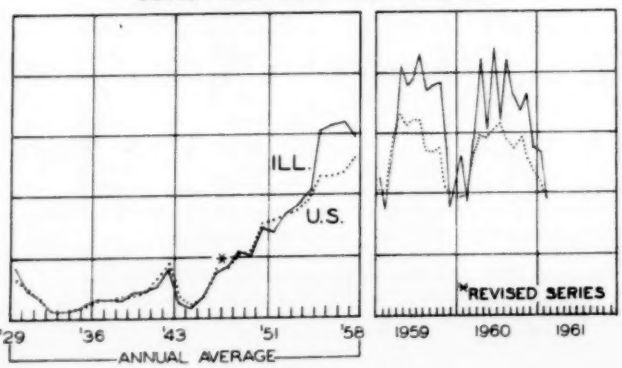
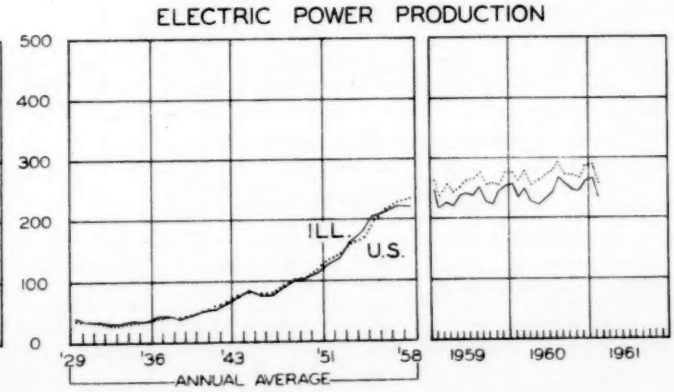


CONSTRUCTION CONTRACTS



ELECTRIC POWER PRODUCTION